

**PECAN ISLAND WATERWORKS  
DISTRICT NO. 3 OF VERMILION PARISH,  
LOUISIANA**

Financial Report

Years Ended December 31, 2010 and 2009

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4/27/11

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Gardes Frederick.**

*(A Corporation of Certified Public Accountants)*

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**INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

Board of Commissioners  
Pecan Island Waterworks District No. 3  
of Vermillion Parish, Louisiana  
Kaplan, Louisiana

We have reviewed the accompanying financial statements of the Pecan Island Waterworks District No. 3 of Vermillion Parish, Louisiana, component unit of Vermillion Parish Police Jury, as of and for the years ended December 31, 2010 and 2009, which collectively comprise the basic financial statements as listed in the table of contents. A review included primarily applying analytical procedures to management's financial data and making inquiries of the management of Pecan Island Waterworks District No. 3 of Vermillion Parish, Louisiana. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

The management of Pecan Island Waterworks District No. 3 of Vermillion Parish, Louisiana is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

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The management's discussion and analysis on pages 3 through 5 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but were compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

*Dannall, Sikes, Gaudes & Frederick*

A Corporation of Certified Public Accountants

Eunice, Louisiana

February 28, 2011

## **Management's Discussion and Analysis**

As management of the Pecan Island Waterworks District No. 3 of Vermilion Parish, Louisiana, we provide readers of the District's financial statements this narrative overview and analysis of the financial activities of the District, for the year ended December 31, 2010 and 2009. Please read it in conjunction with the basic financial statements and the accompanying notes to the financial statements.

### **Profile of the Government**

The Pecan Island Waterworks District No. 3 of Vermilion Parish, Louisiana (District) provides water services to residents of Pecan Island. The District is a component unit of Vermilion Parish Police Jury because the Parish approves all officials appointed to the District's Board of Commissioners.

### **Financial Highlights**

The financial statements provide these insights into the results operations for the year ended December 31, 2010.

- A significant portion of the District's net assets (93%) are invested in capital assets, which accounts for \$1,262,592 of the District's \$1,353,130 total net assets.
- Operating revenues totaled \$111,665 for services provided during 2010, an increase of \$6,063 from the previous year.
- Grant revenues for capital improvements totaled \$35,511 during 2010.

### **Using This Financial Report**

This report contains a series of financial statements. The statement of net assets on page 7 and the statement of revenues, expenses, and changes in net assets on page 8 provide information on all activities of the District as a whole. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The accompanying financial statements present information only on the funds maintained by the District.

All of the District's expenses incurred for the provision of water services are reported in a proprietary fund, which focuses on measuring the total cost, including depreciation of the services, and primarily recovering those costs through user fees or other revenue sources. This fund is reported using the accrual basis of accounting, which measures revenues when earned and expenses when incurred.

### The Fund Maintained by the District as a Whole

Our analysis below will focus on key elements of the total funds for the years ended December 31, 2010 and 2009.

#### Condensed Statement of Net Assets

	<u>2010</u>	<u>2009</u>
Assets:		
Current and restricted assets	\$ 105,438	\$ 253,831
Capital assets, net	<u>1,262,592</u>	<u>1,288,545</u>
Total assets	<u>1,368,030</u>	<u>1,542,376</u>
Current liabilities	<u>14,900</u>	<u>79,866</u>
Net assets:		
Investment in capital assets	1,262,592	1,288,545
Unrestricted	<u>90,538</u>	<u>173,965</u>
Total net assets	<u>1,353,130</u>	<u>1,462,510</u>
Total liabilities and net assets	<u>\$ 1,368,030</u>	<u>\$ 1,542,376</u>

#### Change in Net Assets

Operating revenues	\$ 111,665	\$ 105,602
Operating expenses	<u>193,315</u>	<u>169,740</u>
Operating income (loss)	<u>(81,650)</u>	<u>(64,138)</u>
Grant revenues	35,511	162,964
Grant expense	(64,247)	-
Loss on disposal of asset	-	(3,646)
Miscellaneous income	322	27,796
Interest income	684	3,094
Interest expense	<u>-</u>	<u>(3,225)</u>
	<u>(27,730)</u>	<u>186,983</u>
Increase (decrease) in net assets	<u>\$ (109,380)</u>	<u>\$ 122,845</u>

Operating revenues totaled \$111,665 for the year ended December 31, 2010, an increase of \$6,063 from the previous year. Operating expenses, excluding depreciation of \$66,067 and \$62,717 for the years ended December 31, 2010 and 2009, respectively, totaled \$127,248 and \$107,024, respectively. Expenses during 2010 increased 19% from the previous year. Excluding depreciation, the District realized net operating losses of \$15,583 and \$1,422 for 2010 and 2009, respectively.

## Capital Assets

The District had invested \$1,262,592 and \$1,288,545 in capital assets net of accumulated depreciation as of December 31, 2010 and 2009, respectively. Capital assets are categorized as follows:

	<u>2010</u>	<u>2009</u>
Construction in progress	\$ 40,114	\$ -
Buildings and improvements	178,891	178,891
Equipment	16,518	16,518
Improvements other than buildings	1,435,000	1,435,000
Accumulated depreciation	<u>(407,931)</u>	<u>(341,864)</u>
Total capital assets net of accumulated depreciation	<u>\$ 1,262,592</u>	<u>\$ 1,288,545</u>

Additional information on the District's capital assets can be found in Note 5.

## Risk Management

The District has an insurance policy through the commercial insurance market to cover certain risks of loss related to the following:

- Theft of assets
- Damage of assets
- Errors and omissions
- Injuries to employees
- Natural disasters

## Requests for Information

This financial report is designed to provide a general overview of the Pecan Island Waterworks District No. 3 of Vermilion Parish, Louisiana's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Adrian Conner, Board Chairman, Pecan Island Waterworks District No. 3, 27025 W. LA Hwy 82, Kaplan, LA 70548.

## **BASIC FINANCIAL STATEMENTS**



PECAN ISLAND WATERWORKS DISTRICT NO. 3 OF VERMILION PARISH, LOUISIANA

Statements of Net Assets  
December 31, 2010 and 2009

ASSETS		2010	2009
Current assets:			
Cash	\$	82,355	\$ 85,115
Accounts receivable		10,512	8,990
Grants receivable		<u>-</u>	<u>148,925</u>
Total current assets		<u>92,867</u>	<u>243,030</u>
Restricted assets:			
Cash - customer deposits		<u>12,571</u>	<u>10,801</u>
Capital assets:			
Construction in progress		40,114	-
Buildings and improvements		178,891	178,891
Equipment		16,518	16,518
Improvements other than buildings		<u>1,435,000</u>	<u>1,435,000</u>
		1,670,523	1,630,409
Less: Accumulated depreciation		<u>(407,931)</u>	<u>(341,864)</u>
Total capital assets, net of accumulated depreciation		<u>1,262,592</u>	<u>1,288,545</u>
Total assets	\$	<u>1,368,030</u>	<u>\$ 1,542,376</u>
LIABILITIES			
Current liabilities:			
Contracts payable	\$	1,146	\$ 13,046
Certificate of indebtedness		-	55,000
Accrued payroll and payroll taxes		479	694
Accrued expenses and sales taxes		<u>500</u>	<u>401</u>
Total current liabilities		2,125	69,141
Current liabilities payable from restricted assets -			
Customer's meter deposits		<u>12,775</u>	<u>10,725</u>
Total liabilities		<u>14,900</u>	<u>79,866</u>
NET ASSETS			
Invested in capital assets, net of related debt		1,262,592	1,288,545
Unrestricted		<u>90,538</u>	<u>173,965</u>
Total net assets		<u>1,353,130</u>	<u>1,462,510</u>
Total liabilities and net assets	\$	<u>1,368,030</u>	<u>\$ 1,542,376</u>

See accompanying notes and accountant's report.

PECAN ISLAND WATERWORKS DISTRICT NO. 3 OF VERMILION PARISH, LOUISIANA

Statements of Revenues, Expenses and Changes in Net Assets  
Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>OPERATING REVENUE</b>		
Water sales	\$ 109,198	\$ 103,056
Delinquent charges	459	840
Meter fees	<u>2,008</u>	<u>1,706</u>
Total operating revenues	<u>111,665</u>	<u>105,602</u>
<b>OPERATING EXPENSE</b>		
Chemicals	17,125	14,928
Depreciation	66,067	62,716
Dues and subscriptions	1,754	1,476
Freight	1,763	1,433
Insurance	12,767	11,932
License and permits	385	345
Meter installations	5,920	8,092
Miscellaneous	3,224	2,941
Office supplies	2,954	2,835
Professional fees	14,996	6,550
Repairs and maintenance	24,990	24,144
Salaries and payroll taxes	32,229	23,189
Telephone and utilities	5,692	5,143
Tools and supplies	1,465	1,808
Vehicle	<u>1,984</u>	<u>2,208</u>
Total operating expenses	<u>193,315</u>	<u>169,740</u>
Operating loss	(81,650)	(64,138)
<b>NONOPERATING INCOME (EXPENSE)</b>		
Capital grant income	35,511	162,964
Grant expense	(64,247)	-
Loss on disposal of asset	-	(3,646)
Miscellaneous income	322	27,796
Interest income	684	3,094
Interest expense	<u>-</u>	<u>(3,225)</u>
	<u>(27,730)</u>	<u>186,983</u>
Increase (decrease) in net assets	(109,380)	122,845
<b>NET ASSETS</b>		
Balance, beginning of year	<u>1,462,510</u>	<u>1,339,665</u>
Balance, end of year	<u>\$ 1,353,130</u>	<u>\$ 1,462,510</u>

See accompanying notes and accountant's report.

PECAN ISLAND WATERWORKS DISTRICT NO. 3 OF VERMILION PARISH, LOUISIANA

Statements of Cash Flows  
Years Ended December 31, 2010 and 2009

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 110,143	\$ 106,899
Payments to vendors for goods and services	(106,820)	(73,486)
Payments to employees for services	(32,444)	(23,017)
Net cash provided (used) by operating activities	<u>(29,121)</u>	<u>10,396</u>
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds of loans, net	-	80,000
Repayments of debt	(55,000)	(25,000)
Interest paid	-	(3,225)
Net cash collected for meter deposits	<u>2,050</u>	<u>555</u>
Net cash provided (used) by noncapital and related financing activities	<u>(52,950)</u>	<u>52,330</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Receipts from grants for capital purposes	120,189	140,582
Purchase of capital assets	<u>(39,792)</u>	<u>(189,974)</u>
Net cash provided (used) by capital and related financing activities	<u>80,397</u>	<u>(49,392)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net proceeds (purchase) of investments	-	49,611
Investment income	<u>684</u>	<u>3,094</u>
Net cash provided by investing activities	<u>684</u>	<u>52,705</u>
Net increase (decrease) in cash and cash equivalents	(990)	66,039
Cash and restricted cash - December 31, 2009	<u>95,916</u>	<u>29,877</u>
Cash and restricted cash - December 31, 2010	<u>\$ 94,926</u>	<u>\$ 95,916</u>
Reconciliation of income from operations to net cash provided (used) by operating activities:		
Operating loss	\$ (81,650)	\$ (64,138)
Adjustments to reconcile operating loss to net cash (used) by operating activities:		
Depreciation	66,067	62,717
(Increase) decrease in accounts receivable	(1,522)	1,297
Increase (decrease) in accounts payable	(11,900)	11,864
Increase (decrease) in accrued expenses	99	(1,516)
Increase (decrease) in payroll liabilities	(215)	172
Total adjustments	<u>52,529</u>	<u>74,534</u>
Net cash provided (used) by operating activities	<u>\$ (29,121)</u>	<u>\$ 10,396</u>
Reconciliation of total cash:		
Current assets - cash	\$ 82,355	\$ 85,115
Restricted assets - cash	<u>12,571</u>	<u>10,801</u>
	<u>\$ 94,926</u>	<u>\$ 95,916</u>

See accompanying notes and accountant's report.

## PECAN ISLAND WATERWORKS DISTRICT NO. 3 OF VERMILION PARISH, LOUISIANA

### Notes to the Financial Statements

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pursuant to an ordinance adopted by the Vermilion Parish Police Jury, the Pecan Island Waterworks District No. 3 of Vermilion Parish, Louisiana (the District) was created to provide water services to the customers of the former Pecan Island Water System of the Vermilion Parish Waterworks District No. 1 of the Parish of Vermilion, State of Louisiana. The District is an integral part of the Vermilion Parish Police Jury for financial reporting purposes. The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

##### Financial Reporting Entity

For financial reporting purposes in conformity with Governmental Accounting Standards Board Statement No. 14, the District is a component unit of the Vermilion Parish Police Jury, the governing body of the parish and the governmental body with oversight responsibility. The accompanying financial statements present information only as to the transactions of the District and are not intended to present fairly the financial position and results of operations of the Vermilion Parish Police Jury. As a component unit, the accompanying financial statements may be included within the reporting of the primary government, either blended into those financial statements or separately reported as a discrete component unit.

##### Fund Accounting

The accounts of the District are organized and operated on a fund basis whereby a separate self-balancing set of accounts that comprise its assets, liabilities, net assets, revenues and expenses is maintained for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or regulations. The District is presented in the accompanying financial statements as follows:

##### PROPRIETARY FUND –

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The proprietary fund is accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The principal operating revenues of the District is water usage fees. The operating cost of the proprietary fund is all costs associated with the operation of the water distribution system. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

PECAN ISLAND WATERWORKS DISTRICT NO. 3 OF VERMILION PARISH, LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In accordance with Statement No. 20 of the Governmental Accounting Standards Board (GASB), "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," it is the District's policy to apply all applicable GASB pronouncements as well as all Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued prior to December 1, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The District has not adopted any Financial Accounting Standards Board Statements or Interpretations, Accounting Principles Board Opinions or Accounting Research Bulletins of the Committee on Accounting Procedure issued after November 30, 1989.

Capital Assets

All capital assets of the proprietary fund purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. The costs of maintenance and repairs are charged to income as incurred; significant renewals and betterments are capitalized. Reductions are made for retirements resulting from renewals or betterments. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	20 – 40 years
Improvements other than buildings	25 years
Equipment	5 years

Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against operations. Depreciation expense for the years ended December 31, 2010 and 2009 were \$66,067 and \$62,716, respectively.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents includes all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased.

Bad Debts

The District charges any uncollectible accounts directly to current operations. All accounts at December 31, 2010 and 2009 are considered to be collectible.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

PECAN ISLAND WATERWORKS DISTRICT NO. 3 OF VERMILION PARISH, LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Vacation and Sick Leave

Vacation and sick leave are recorded as expenditures of the period in which paid. Any liability the District might have in this regard as of December 31, 2010 and 2009 is considered immaterial; therefore, no liability has been recorded in the accounts.

Subsequent Events

Management has evaluated subsequent events through February 28, 2011, the date the financial statements were available to be issued.

NOTE 2 CASH AND INVESTMENTS

The carrying value of the District's cash deposits, including certificates of deposit, with financial institutions at December 31, 2010 totaled \$94,926 and the bank balance was \$95,826. Cash and investments are stated at cost, which approximates market. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. During the twelve months ended December 31, 2010, the District's deposits were fully secured by the federal deposit insurance corporation.

NOTE 3 RESTRICTED ASSETS

The District's restricted assets consist of the following as of December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Customers' meter deposits:		
Cash	<u>\$12,571</u>	<u>\$10,801</u>

NOTE 4 CONCENTRATION OF CREDIT RISK

The credit risk for trade accounts receivable is concentrated because most of the balances are due from individuals located in the same geographical region.

NOTE 5 FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the District in estimating fair value disclosures for financial instruments:

Cash and cash equivalents – The carrying amount of cash and short-term instruments approximate fair value.

Contracts payable and accrued expenses – The carrying amount of contracts payable and accrued expenses approximate fair value.

PECAN ISLAND WATERWORKS DISTRICT NO. 3 OF VERMILION PARISH, LOUISIANA

Notes to the Financial Statements

NOTE 6 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has elected to purchase insurance coverage through the commercial insurance market to cover its exposure to loss. The District is insured up to policy limits for each of the above risks. No claims have been settled in excess of the commercial coverage.

NOTE 7 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010 and 2009 was as follows:

	Balance 12/31/09	Additions	Deletions	Balance 12/31/10
Capital assets:				
Construction in progress	\$ -	\$ 40,114	\$ -	\$ 40,114
Building and improvements	178,891	-	-	178,891
Equipment and furniture	16,518	-	-	16,518
Improvements other than buildings	<u>1,435,000</u>	<u>-</u>	<u>-</u>	<u>1,435,000</u>
Total capital assets	<u>1,630,409</u>	<u>40,114</u>	<u>-</u>	<u>1,670,523</u>
Less accumulated depreciation for:				
Building and improvements	(53,566)	(8,667)	-	(62,233)
Equipment and furniture	(16,517)	-	-	(16,517)
Improvements other than buildings	<u>(271,781)</u>	<u>(57,400)</u>	<u>-</u>	<u>(329,181)</u>
Total accumulated depreciation	<u>(341,864)</u>	<u>(66,067)</u>	<u>-</u>	<u>(407,931)</u>
Capital assets, net	<u>\$ 1,288,545</u>	<u>\$ (25,953)</u>	<u>\$ -</u>	<u>\$ 1,262,592</u>

NOTE 8 CERTIFICATE OF INDEBTEDNESS

	2010	2009
Certificate of Indebtedness to Iberia Bank, original amount of \$80,000, dated January 28, 2009, bearing interest at 3.85% per annum, payable at maturity on February 15, 2010, collateralized by revenue	<u>\$ -</u>	<u>\$ 55,000</u>

NOTE 9 BOARD OF COMMISSIONERS

The board of commissioners consists of five members, with compensation paid as follows:

Adrian Conner	Chairman	\$ 840
Bonnie Wainwright	Vice-Chairperson	840
Randall Broussard	Secretary-Treasurer	-
Sandra Vincent	Commissioner	840
Randie Choate	Commissioner	-
		<u>\$ 2,520</u>

## **SUPPLEMENTAL INFORMATION**





# Darnall, Sikes, Gardes Frederick

(A Corporation of Certified Public Accountants)

## Independent Accountant's Report on Applying Agreed-Upon Procedures

Board of Commissioners  
Pecan Island Waterworks District No. 3  
of Vermilion Parish, Louisiana  
Kaplan, Louisiana

We have performed the procedures included in the *Louisiana Government Audit Guide* as enumerated below, which were agreed to by the management of Pecan Island Waterworks District No. 3 of Vermilion Parish, Louisiana and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about Pecan Island Waterworks's compliance with certain laws and regulations during the year ended December 31, 2010 and 2009 included in the accompanying *Louisiana Attestation Questionnaire*. Pecan Island Waterworks's management is responsible for the district's accounting records. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

### Public Bid Law

1. Select all expenditures made during the year for material and supplies exceeding \$20,000, or public works exceeding \$100,000, and determine whether such purchases were made in accordance with R.S. 38:2211-2296 (the public bid law) or R.S. 39:1551-1755 (the state procurement code), whichever is applicable

We examined supporting documentation for all expenditures exceeding \$20,000 and found that payments were made in accordance with applicable laws.

### Code of Ethics for Public Officials and Public Employees

2. Obtain from management a list of the immediate family members of each board member as defined by R.S. 42:1101-1124 (the code of ethics), and a list of outside business interests of all board members and employees, as well as their immediate families.

Management provided us with the required list including the noted information.

Eugene H. Darnall, CPA, Deceased 1990

E. Larry Sikes, CPA/PFS, CVA, CFP™  
Danny P. Frederick, CPA  
Clayton E. Darnall, CPA, CVA  
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3. Obtain from management a listing of all employees paid during the period under examination.

Management provided us with the required list.

4. Determine whether any of those employees included in the listing obtained from management in agreed-upon procedure (3) were also included on the listing obtained from management in agreed-upon procedure (2) as immediate family members.

None of the employees included on the list of employees provided by management in agreed-upon procedure (3) appeared on the list provided by management in agreed-upon procedure (2).

#### Budgeting

5. Obtained a copy of the legally adopted budget and all amendments.

Management provided us with a copy of the original budget. There was no amended budget.

6. Trace the budget adoption and amendments to the minute book.

We traced the adoption of the original budget to the minutes of a meeting which indicated that the budget had been adopted.

7. Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues failed to meet budgeted revenues by 5 % or more or if actual expenditures exceed budgeted amounts by 5% or more.

The entity's operations are accounted for as a proprietary fund. no budget comparison is required.

#### Accounting and Reporting

8. Randomly select 6 disbursements made during the period under examination and:

- (a) trace payments to supporting documentation as to proper amount and payee;

We examined supporting documentation for each of the six selected disbursements and found that payment was for the proper amount and made to the correct payee.

- (b) determine if payments were properly coded to the correct fund and general ledger account;

We examined supporting documentation for each of the six selected disbursements and found that payments were properly coded by fund and general ledger account.

- (c) determine whether payments received approval from proper authorities.

Inspection of documentation supporting each of the six selected disbursements indicated approval from the proper authorities.

#### Meetings

9. Examine evidence indicating that agendas for meetings recorded in the minute book were posted or advertised as required by LSA-RS 42:1 through 42:12 (the open meetings law).

A notice of each meeting is posted on the agenda which is attached to the door of the meeting place.

#### Debt

10. Examine bank deposits for the period under examination and determine whether any such deposits appear to be proceeds of bank loans, bonds, or like indebtedness.

We inspected copies of bank deposit slips for the period under examination and noted no deposits which appeared to be proceeds of bank loans, bonds, or like indebtedness.

#### Advances and Bonuses

11. Examine payroll records and minutes for the year to determine whether any payments have been made to employees that may constitute bonuses, advance, or gifts.

We inspected payroll records and minutes for the year and noted no instances which would indicate payments to employees which would constitute bonuses, advances, or gifts.

#### Prior Comments and Recommendations

12. Review any prior year suggestions, recommendations, and/or comments to determine the extent to which such matters have been resolved.

There were no prior year suggestions, recommendations and/or comments.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of Pecan Island Waterworks District No. 3 of Vermillion Parish, Louisiana and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Dannall, Sikes, Gaudes & Frederick*

A Corporation of Certified Public Accountants

Eunice, Louisiana  
February 28, 2011

**LOUISIANA ATTESTATION QUESTIONNAIRE**  
**(For Attestation Engagements of Government)**

12-6-10 (Date Transmitted)

Darnall, Sikes, Gardes & Frederick, CPAs  
203 S. Jefferson Street  
Abbeville, LA 70510 (Auditors)

In connection with your review of our financial statements as of [date] and for the year then ended, and as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulations and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of (date of completion/representations).

**Public Bid Law**

It is true that we have complied with the public bid law, LSA-RS Title 38:2212, and, where applicable, the regulations of the Division of Administration, State Purchasing Office..

Yes [☒] No [ ]

**Code of Ethics for Public Officials and Public Employees**

It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of LSA-RS 42:1101-1124.

Yes [☒] No [ ]

It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of LSA-RS 42:1119.

Yes [☒] No [ ]

**Budgeting**

We have complied with the state budgeting requirements of the Local Government Budget Act (LSA-RS 39:1301-14) or the budget requirements of LSA-RS 39:34.

Yes [☒] No [ ]

**Accounting and Reporting**

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by LSA-RS 44:1, 44:7, 44:31, and 44:36.

Yes [☒] No [ ]

We have filed our annual financial statements in accordance with LSA-RS 24:514, 33:463, and/or 39:92, as applicable.

Yes ☒ No ☐

We have had our financial statements audited or compiled in accordance with LSA-RS 24:513.

Yes ☒ No ☐

#### Meetings

We have complied with the provisions of the Open Meetings Law, provided in RS 42:1 through 42:12.

Yes ☒ No ☐

#### Debt

It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and LSA-RS 39:1410.60-1410.65.

Yes ☒ No ☐

#### Advances and Bonuses

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, LSA-RS 14:138, and AG opinion 79-729.

Yes ☒ No ☐

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the foregoing laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We acknowledge our responsibility to disclose to you any known noncompliance which may occur subsequent to the issuance of your report.

<u>Randall H. Broussard</u>	Secretary	<u>12-6-10</u>	Date
<u>Randall H. Broussard</u>	Treasurer	<u>12-6-10</u>	Date
<u>Adrian Canner</u>	President	<u>12-6-10</u>	Date